Yardi Matrix

National Multifamily Report

February 2022

Multifamily Rent Gains Solid as Occupancy Rises

- Multifamily rent growth continues to exceed normal seasonal patterns, as average U.S. asking rents rose $10 in February to yet another record of $1,628. Year-over-year growth increased to 15.4%, a new peak and up a full percentage point from January.
- The solid demand that created last year's explosive rent growth seemingly has not been satiated. Nationally, occupancy rates are up 120 basis points year-over-year. Occupancy growth is strong in Texas and Florida metros, but also in gateway markets that lost residents during the pandemic.
- Multifamily's exceptional rent performance is matched by single-family rentals. SFR rents increased by 14.9% year-over-year through February, while the national occupancy rate remained the same.

Just when it seemed multifamily asking rent growth had nowhere to go but down, the market defied expectations in February and rose to a new high of 15.4%. Of the top 30 metros, 90% saw double-digit rent growth year-over-year, with the Twin Cities having the slowest growth at 5.3%.

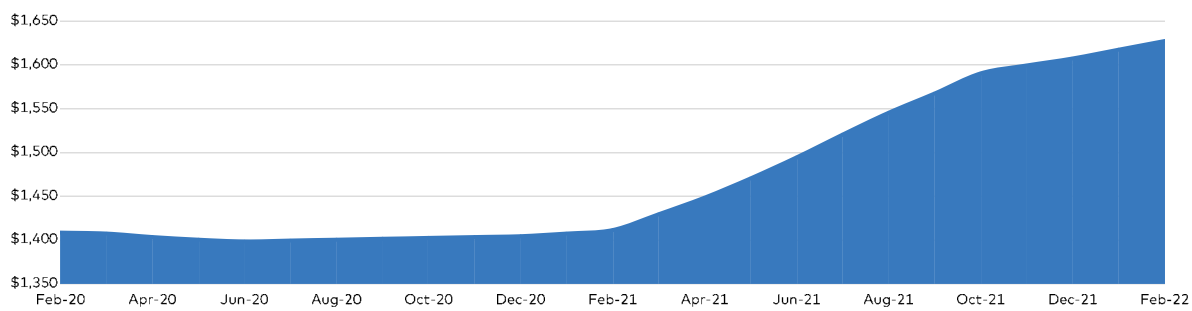
The sustained growth illustrates the long-term shortage in America's housing supply, which has been exposed to a surge in demand. Single-family home prices jumped 18.8% in 2021, according to the S&P Case-Shiller Index, while multifamily rents have kept apace as absorption has been robust in virtually every market. In January 2021, occupancy rates were 95.0% or higher in just 13 of the top 30 markets, but a year later only two of the top 30 are below that level.

Some of that occupancy growth represents a rebound in markets that saw an exodus during the first year of the pandemic. New York (2.9% increase year-over-year through January), San Jose (2.8%) and Chicago (2.6%) fit that category. But healthy demand also pushed occupancy rates up in high-growth/high-supply metros such as Nashville (2.3% increase) and Austin (2.1%).

Occupancy rate growth has been weak in only a handful of major metros: Phoenix, Sacramento and the Inland Empire (-0.2% change year-over-year through January) and Las Vegas (0.1%). Yet all of those metros have exceptional asking rent growth, as occupancy rates were already extremely high, and they welcome a steady stream of renters coming from more expensive locations.

Rent growth is likely to start decelerating soon relative to the big increases that began in March 2021, but demand shows little sign of slowing.

National Average Rents



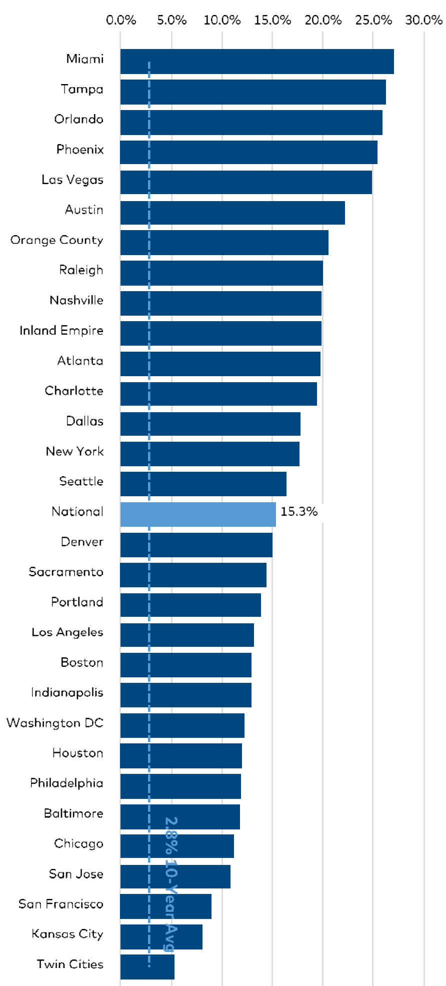
National averages include 132 markets tracked by Matrix, not just the 30 metros featured in the report.
All data provided by Yardi Matrix.

Year-Over-Year Rent Growth: Miami's Rapid Rise Leads U.S. Gains

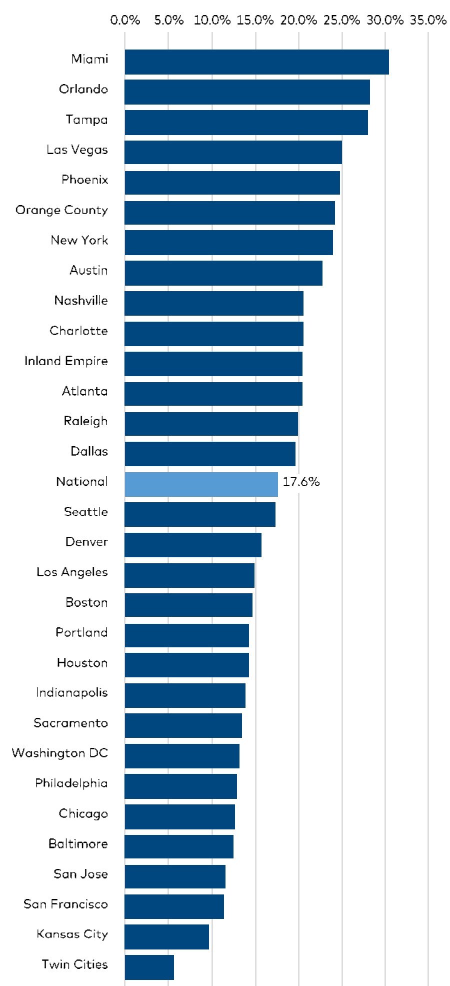
- Rent growth continues to climb to new heights. Miami is leading the way, with a 27% increase in rents year-over-year through February. Asking rents increased by 20% or more in eight of the top 30 metros and 10% or more in 90% of the markets. Even outlier markets—San Francisco (9.0%), Kansas City (8.1%) and the Twin Cities (5.3%)—show significant growth.

- Signs are that young workers are migrating back to city centers, even as office usage remains slow to recover in the wake of omicron and as office workers balk at commuting. New York has the biggest increase in occupancy of the top 30 metros (up 2.9% year-over-year), leading to 17.6% growth in asking rents. San Jose (up 2.8%) and Chicago (2.6%) also are metros impacted by the migration of young workers back to the city centers.

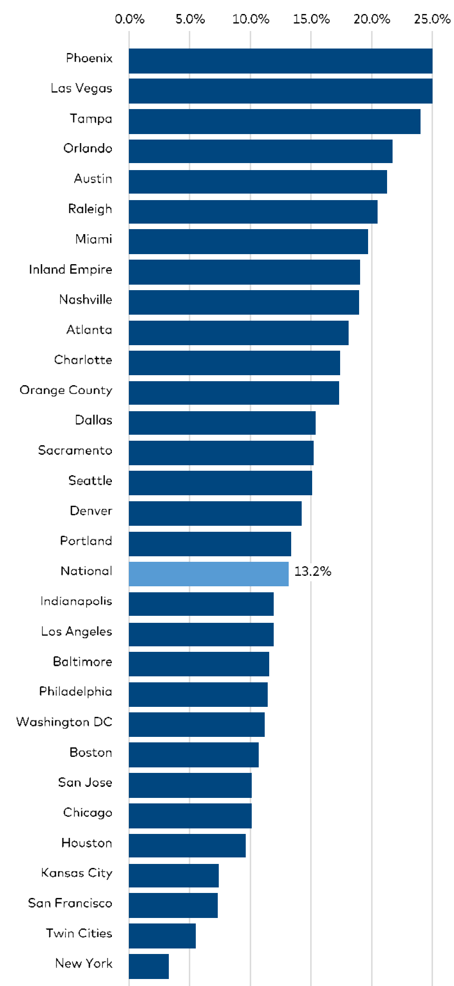
Year-Over-Year Rent Growth—All Asset Classes



Year-Over-Year Rent Growth—Lifestyle Asset Class



Year-Over-Year Rent Growth—Renter-by-Necessity Asset Class



Source: Yardi Matrix

Short-Term Rent Changes: Rapid In-migration Markets Lead in February

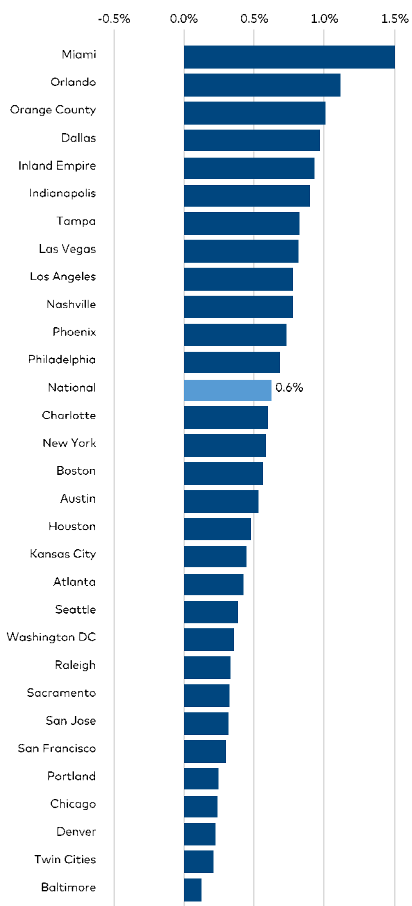
- National asking rents increased 0.6% month-over-month in February, the same amount as January.
- Rents in Renter-by-Necessity units increased by 0.8% month-over-month in February, while high-end Lifestyle units rose by 0.6%.

Asking rents increased by $10 in February, the same as January. Given that February is normally the tail end of the winter seasonal slowdown, the monthly growth was much higher than normal, and a sign that persistent demand shows no sign of letting up. The largest increase in rents in February since 2015 has been $4.

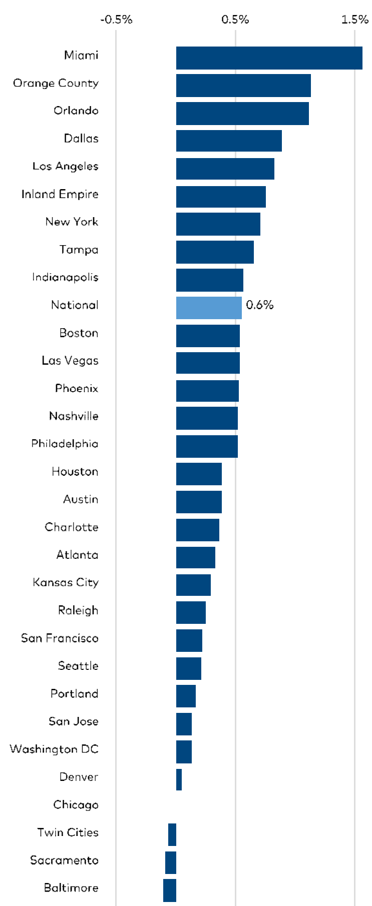
On a metro basis, February's gains were led by the rapid in-migration markets of Miami (1.5% month-over-month), Orlando (1.1%) and Orange County and Dallas (both 1.0%). Metros with the lowest increases were the Twin Cities (0.2%) and Baltimore (0.1%).

Renter-by-Necessity asking rents outpaced Lifestyle rents, a turnaround from most of the last year, as demand for higher-priced units has been slightly higher during the pandemic recovery period.

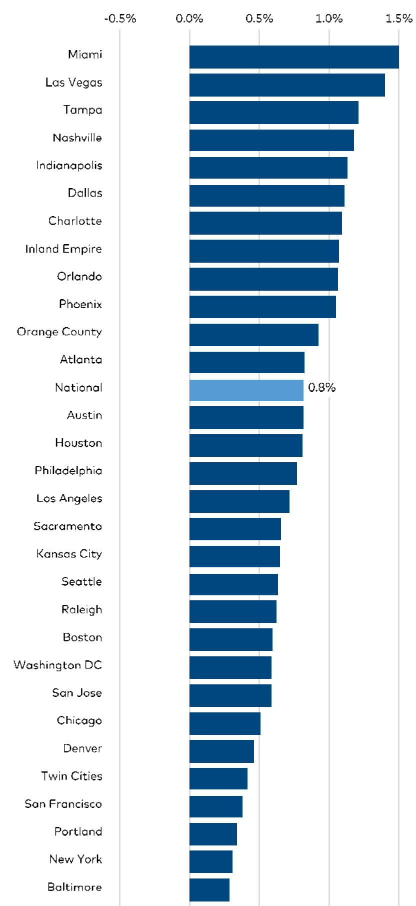
Month-Over-Month Rent Growth—All Asset Classes



Month-Over-Month Rent Growth—Lifestyle Asset Class



Month-Over-Month Rent Growth—Renter-by-Necessity Asset Class



Source: Yardi Matrix

Employment and Supply Trends; Forecast Rent Growth

- Work-from-home has proven to have profound implications for multifamily demand.
- Many workers in industries that can do their jobs remotely prefer to work from home and would quit if forced back to the office full time.
- The remote work trend should fuel continued growth in secondary market tech hubs.

As the pandemic heads into its third year, it's difficult to remember the start, when it was generally expected to be a short-lived phenomenon. Even as omicron subsides and it seems life will get back to normal soon, the impact of COVID-19 will live on in the way we work and where we live.

The work-from-home revolution has fundamentally changed the home base for office workers. Work is not always somewhere to go as much as something one does. Even as companies try to bring workers back to the office, employees are balking. With qualified labor in short supply and many companies unable to find enough workers, employees have a much greater say in setting terms than they did before the pandemic.

Surveys show that a significant number of workers would quit if forced to go back to an office full time. At the same time, companies have realized that working from home does not necessarily mean less productivity. The number of remote workers is expected to rise to about 25% from 10% pre-pandemic.

Remote work, even hybrid work, has enormous implications for migration and multifamily demand. Workers are taking this opportunity to move out of dense, costly metros to lower-cost alternatives, giving smaller cities and communities the opportunity to compete with coastal hubs for residents.

The shift is illustrated by migration data. According to the U.S. Census Bureau, in the 12 months ending in July 2021, there was a significant migration toward states in the South, Southwest and Mountain West, led by Florida (plus 221,000 population), Texas (plus 173,000) and Arizona (plus 93,000). States with gateway metros—led by California (minus 367,000), New York (minus 352,000) and Illinois (minus 122,000)—lost the most population during that time.

Trends such as outmigration from high-cost states and faster growth in the South and West are not new. Some of the loss in population in gateway markets stems from the roughly 75% drop in legal immigration over the last five years. And gateway metros have lifestyle features that will continue to appeal to many households, as evidenced by the rapid rebound in multifamily occupancy rates and rents over the last year. Even so, it's a good bet growth will continue to be focused on secondary market tech hubs.

Single-Family Build-to-Rent Segment: SFR Rent Growth Rises Amid Strong Demand

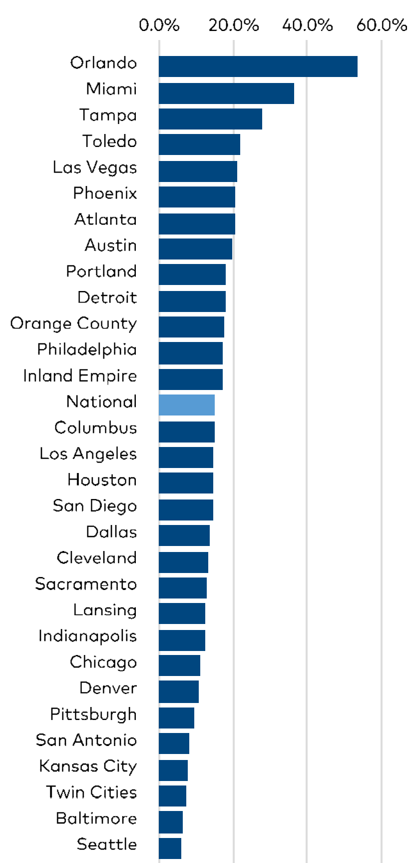
- Single-family rental asking rent growth took a big jump in February, rising 14.9% year-over-year.
- Rents accelarated while occupancy rates were flat, with no change nationally year-over-year.

Fundamentals continue to be healthy in the single-family rental sector, prompting asking rents to soar on par with multifamily. Rapidly rising house prices and growing competition from institutional investors have put homeownership out of reach for some potential buyers, while the increasing preference for suburban housing has added to demand for single-family rentals. Asking rents grew 20% or more in seven metros, led by Orlando (53.5%), Miami (36.5%), Tampa (27.6%) and Toledo (21.7%).

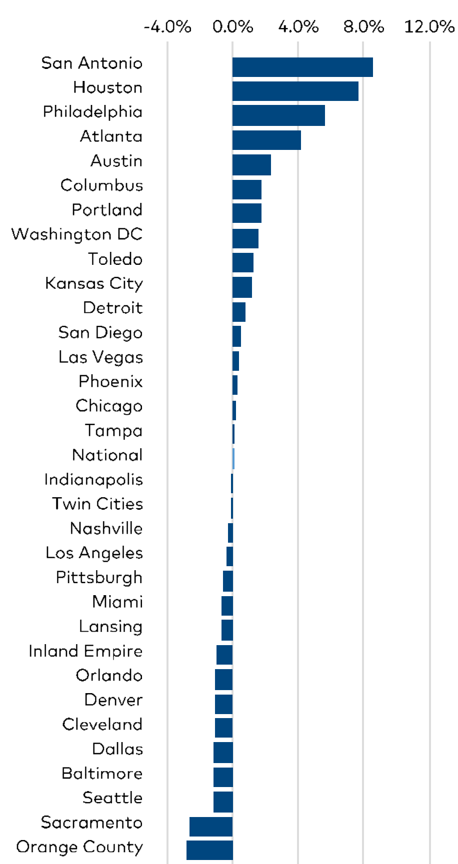
Institutional involvement in the sector is increasing. Redfin reported that the share of single-family homes purchased by investors reached an all-time high of 18.4% in the fourth quarter of 2021, with acquisitions highest in the Sun Belt.

Note: Yardi Matrix covers single-family built-to-rent communities of 50 homes and larger.

Year-Over-Year Rent Growth—Single-Family Rentals



Year-Over-Year Occupancy Change—Single-Family Rentals



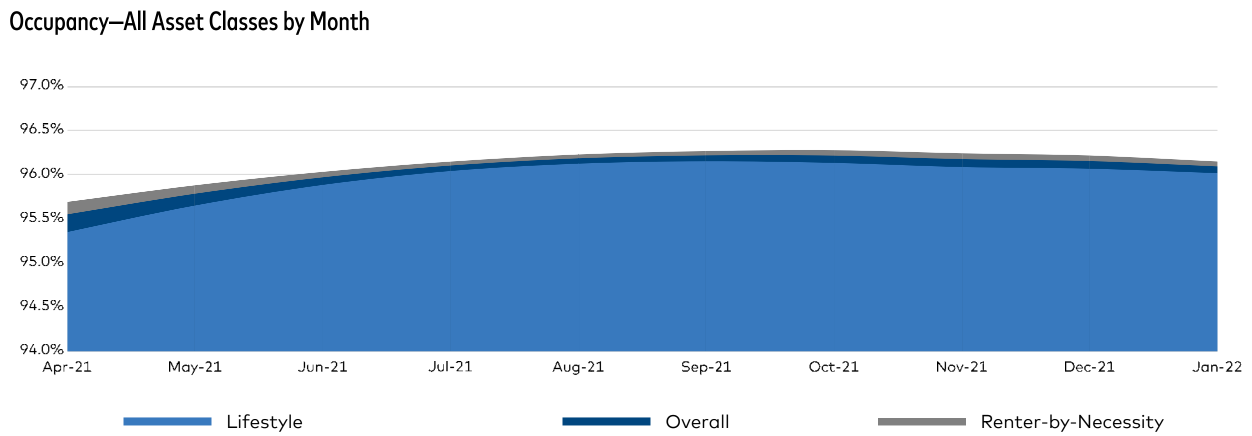
Source: Yardi Matrix

Employment and Supply Trends; Forecast Rent Growth

Market	YoY Rent Growth as of Feb- 22	Forecast Rent Growth as of 02/28/22 for YE 2022	YoY Job Growth (6-mo. moving avg.) as of Dec- 21	Completions as % of Total Stock as of Feb- 22
Austin	22.2%	8.4%	7.3%	5.3%
Miami Metro	27.0%	7.5%	5.2%	5.4%
Orlando	25.9%	7.5%	6.7%	5.5%
Phoenix	25.4%	7.3%	6.2%	2.6%
Atlanta	19.7%	7.3%	5.1%	2.4%
Las Vegas	24.8%	6.7%	8.8%	2.4%
Raleigh	20.0%	6.6%	5.0%	2.8%
Tampa	26.2%	6.6%	5.2%	3.0%
Sacramento	14.4%	6.5%	3.7%	1.3%
San Francisco	9.0%	6.4%	5.0%	3.3%
San Jose	10.8%	6.4%	4.6%	4.0%
Charlotte	19.4%	6.0%	3.5%	4.5%
Denver	15.0%	6.0%	5.2%	2.8%
Inland Empire	19.8%	6.0%	4.4%	1.3%
Los Angeles	13.1%	5.7%	6.2%	2.1%
Nashville	19.8%	5.7%	5.0%	4.0%
Seattle	16.3%	5.6%	6.0%	3.6%
Portland	13.9%	5.5%	5.6%	2.5%
Baltimore	11.8%	5.4%	3.8%	0.7%
Orange County	20.6%	5.0%	7.2%	0.9%
New York	17.6%	4.9%	5.0%	0.3%
Chicago	11.1%	4.8%	3.4%	1.7%
Boston	12.9%	4.7%	5.7%	2.2%
Houston	12.0%	4.6%	4.8%	2.9%
Dallas	17.7%	4.5%	5.4%	3.0%
Kansas City	8.1%	4.4%	4.4%	2.4%
Indianapolis	12.9%	4.3%	2.7%	1.2%
Philadelphia	11.9%	4.0%	4.2%	2.3%
Washington DC	12.2%	3.7%	4.0%	2.0%
Twin Cities	5.3%	3.6%	3.9%	3.3%

Source: Yardi Matrix

Occupancy & Asset Classes



Source: Yardi Matrix

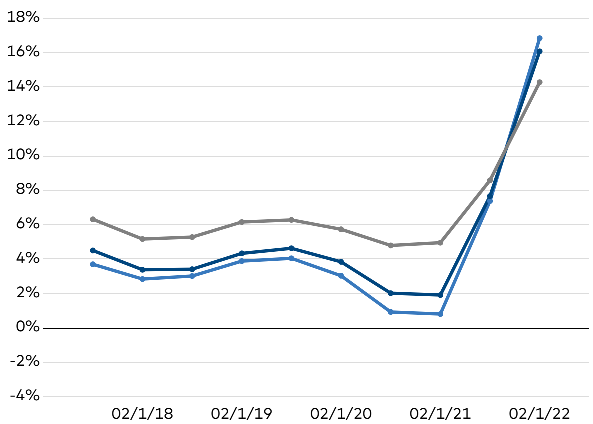
Year-Over-Year Rent Growth, Other Markets

Market	February 2022		
	Overall	Lifestyle	Renter-by-Necessity
SW Florida Coast	38.2%	40.1%	35.4%
Jacksonville	24.2%	25.9%	21.8%
Tucson	20.3%	20.5%	20.4%
Salt Lake City	20.2%	19.9%	20.5%
Albuquerque	17.7%	19.5%	16.8%
NC Triad	16.8%	16.6%	16.9%
Central Valley	15.4%	14.1%	15.8%
El Paso	15.1%	14.8%	15.1%
Colorado Springs	13.8%	12.5%	15.7%
San Fernando Valley	13.7%	15.5%	13.0%
Tacoma	13.0%	13.1%	13.4%
Indianapolis	12.9%	13.9%	12.0%
Reno	12.8%	12.0%	13.6%
Northern New Jersey	11.3%	13.9%	8.8%
Central East Texas	10.6%	11.8%	9.8%
St. Louis	10.1%	10.2%	10.2%
Long Island	9.3%	11.3%	8.5%
Louisville	9.0%	9.7%	8.7%
Bridgeport–New Haven	8.8%	9.1%	8.8%

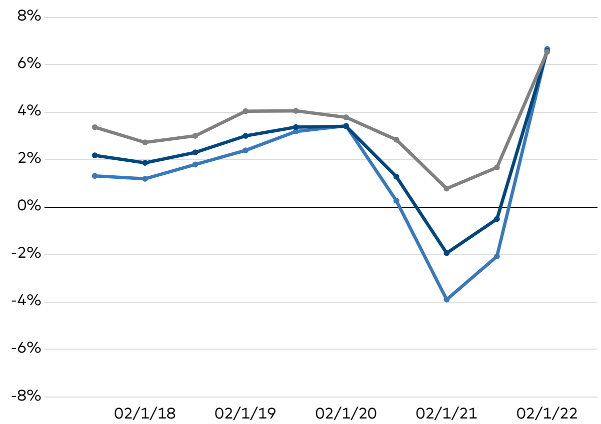
Source: Yardi Matrix

Market Rent Growth by Asset Class

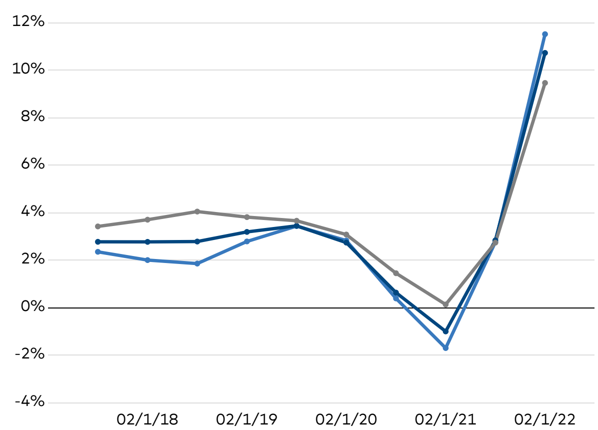
Atlanta



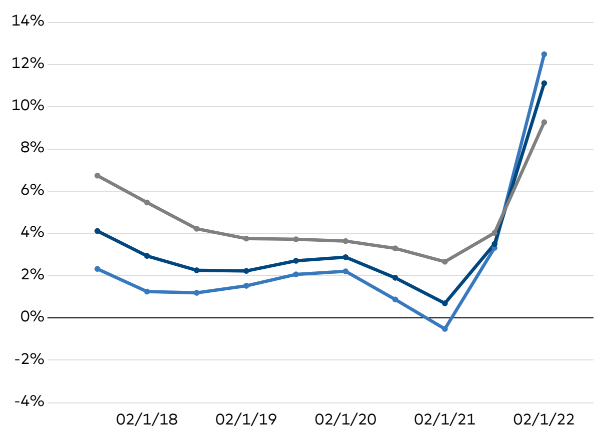
Boston



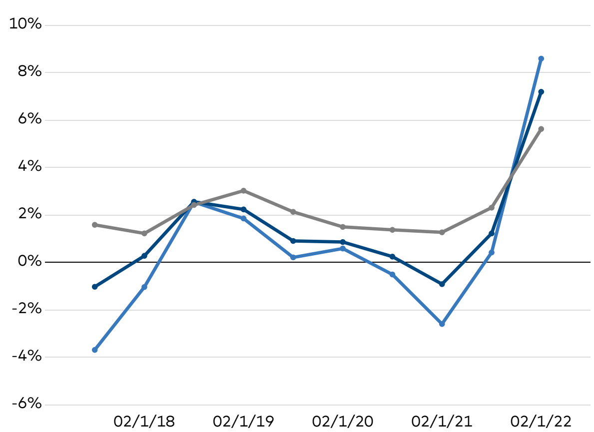
Denver



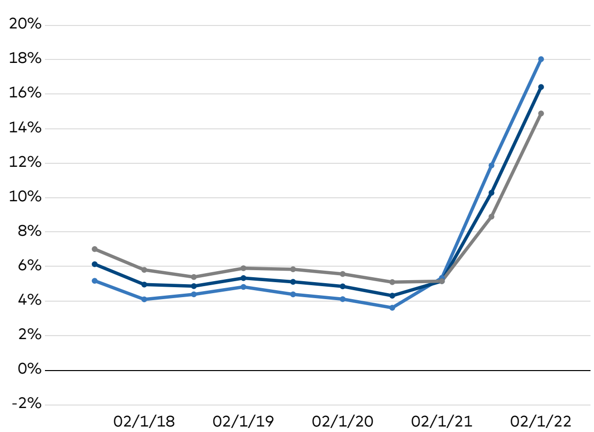
Dallas



Houston



Inland Empire

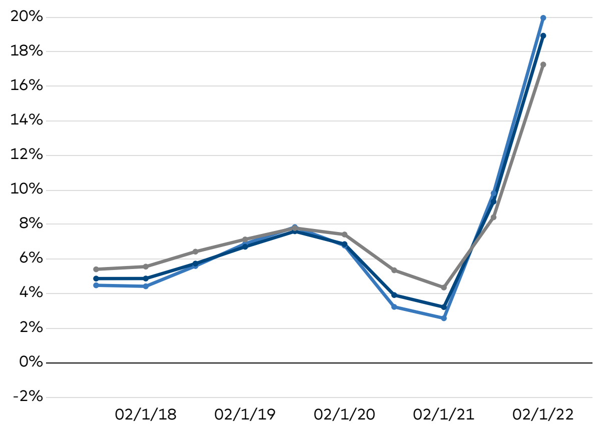


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

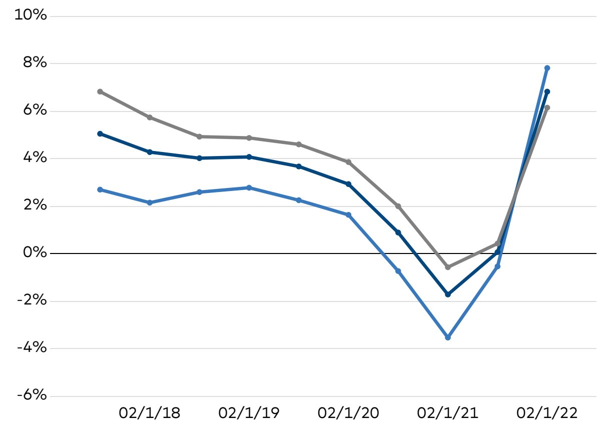
Source: Yardi Matrix

Market Rent Growth by Asset Class

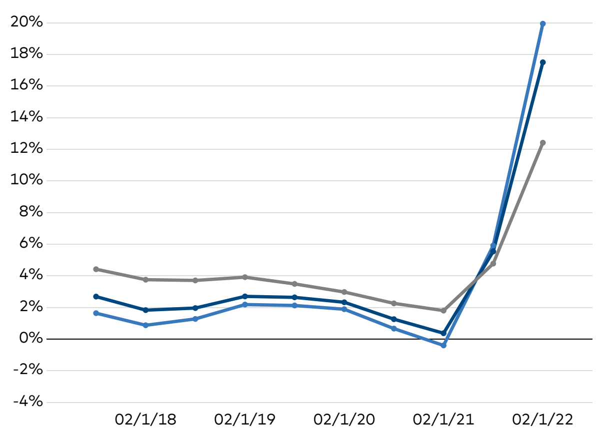
Las Vegas



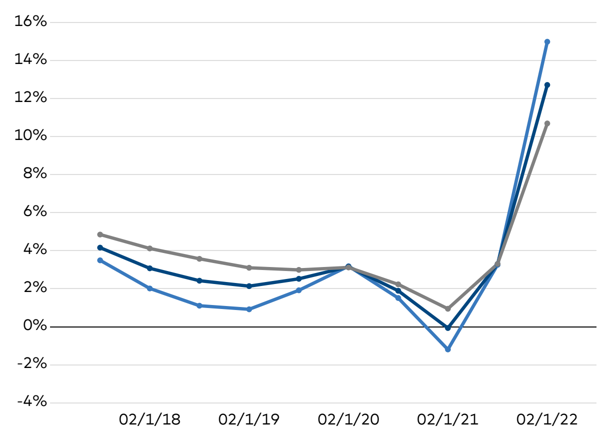
Los Angeles



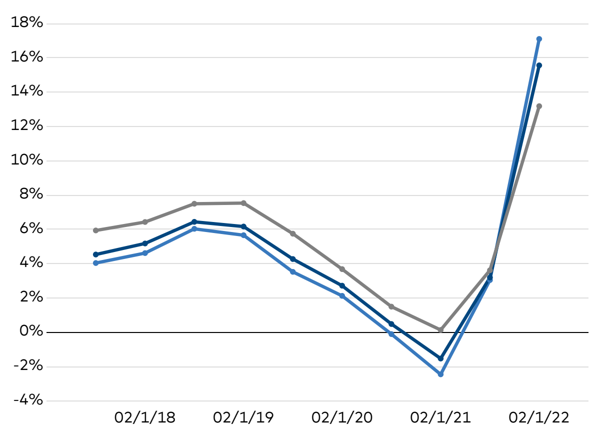
Miami



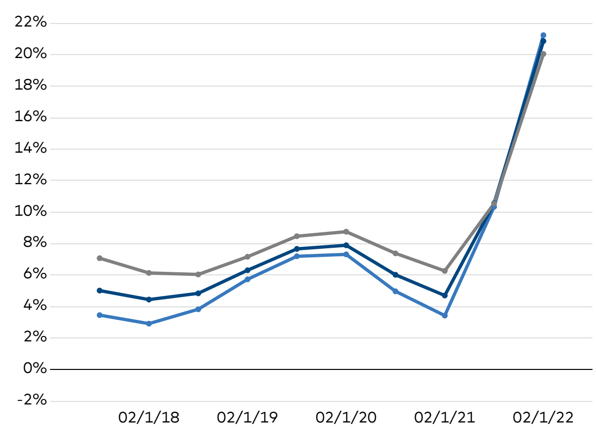
Orange County



Orlando



Phoenix

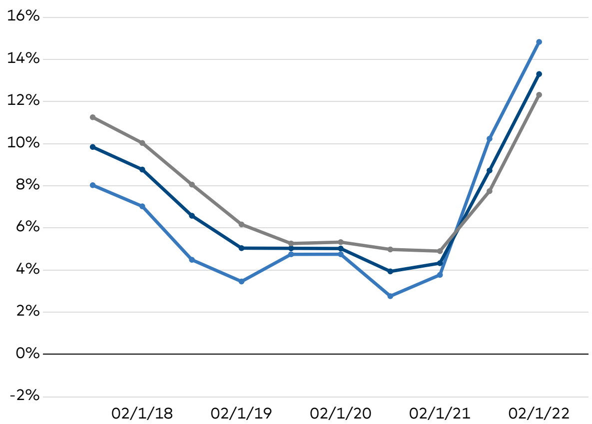


Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

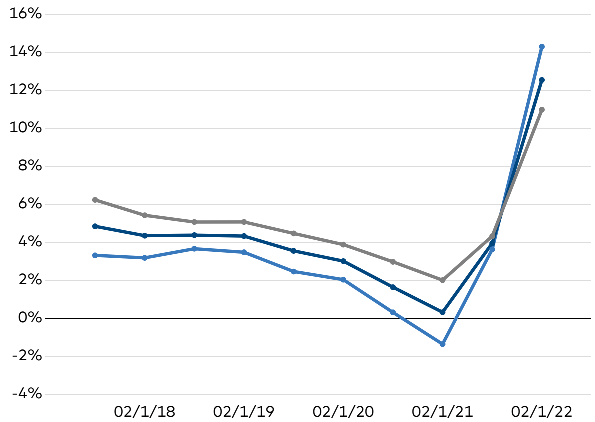
Source: Yardi Matrix

Market Rent Growth by Asset Class

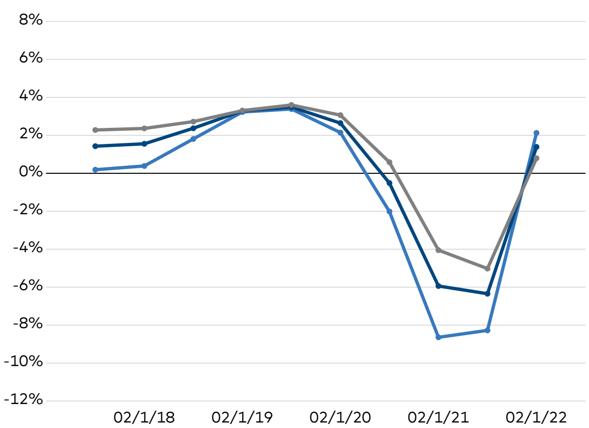
Sacramento



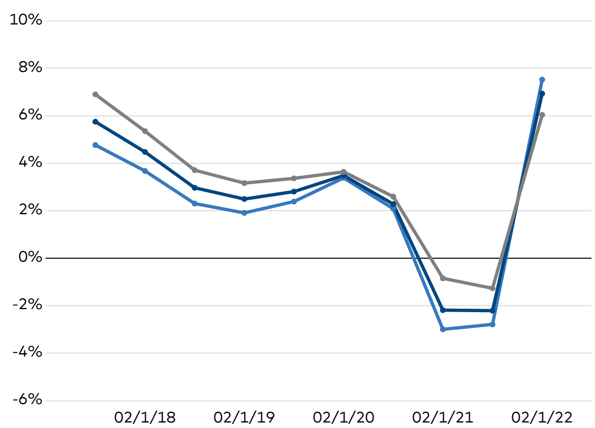
San Diego



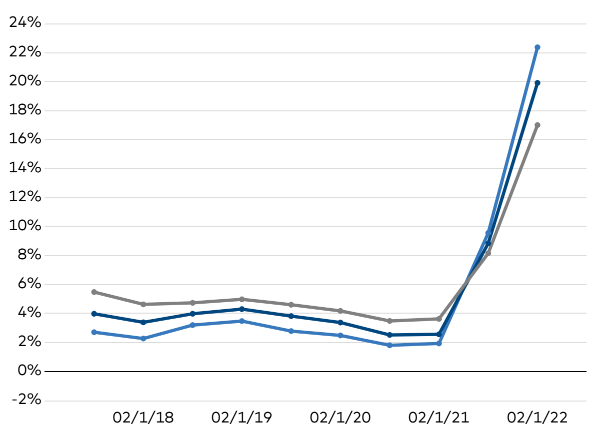
San Francisco



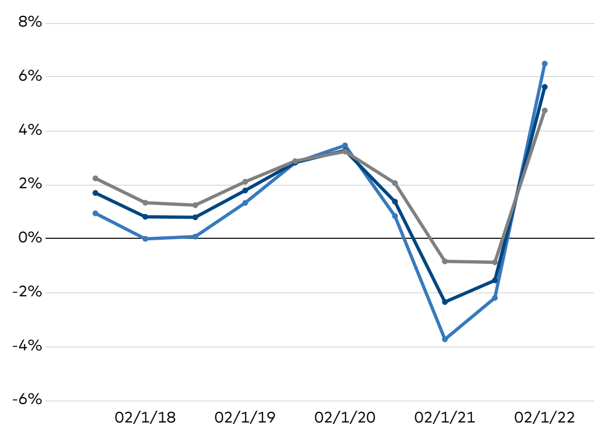
Seattle



Tampa



Washington, D.C.



Trailing 12 Months Overall   Trailing 12 Months Lifestyle   Trailing 12 Months Renter-by-Necessity

Source: Yardi Matrix

Definitions

Reported Market Sets:

- National rent values and occupancy derived from all 140 markets with years of tracked data that makes a consistent basket of data

Average Rents: Average Same-Store index rent (mean), rolled up from unit mix level to metro area level, weighted by units

Rent Growth, Year-Over-Year: Year-over-year change in average market rents, as calculated by same month

Rent Growth, Quarterly: Year-over-year change in average market rents, as calculated by same-quarter average. Partially completed quarters are only compared to partial quarters.

Forecast Rent Growth: Year-over-year change in average forecasted market rents, as calculated by same month

Market rent: Converted rent that reflects the effect of differences in relevant attributes that hold reasonably quantifiable value

Actual (effective) rent: Monthly rate charged to residents to occupy an apartment and is shown as-is without additional concessions or adjustments.

Same-Store index rent: Rents adjusted to new supply as it joins the market

Employment Totals: Total employment figures and categories provided by Bureau of Labor Statistics, seasonally adjusted

Employment Data Geography: Comprises entirety of United States, which Matrix data covers 90% of US metro population. Reported information is for MSAs that overlap Matrix Markets.

Market: Generally corresponds to a Standard Metropolitan Statistical Area (SMSA), as defined by the United States Bureau of Statistics, though large SMSA are split into 2 or more Markets

Metro: One or more Matrix markets representing an economic area. Shown with combined Matrix markets when necessary, and do not necessarily fully overlap an SMSA.

Occupancy Rates: Ratio of occupied unit count and total unit count, as provided by phone surveys and postal records. Excludes exception properties: closed by disaster/renovation, affordable, and other relevant characteristics.

Completions as % of Total Stock: Ratio of number of units completed in past 12 months and total number of completed units

Ratings:

- Lifestyle/Renters by Choice
- Discretionary—has sufficient wealth to own but choose rent
- Renters by Necessity
- High Mid-Range—has substantial income but insufficient wealth to acquire home/condo
- Low Mid-Range—Office workers, police officers, technical workers, teachers, etc
- Workforce—blue-collar households, which may barely meet rent demands and likely pay distortional share of income toward rent
- Other Categories
- Student—may span range of income capability
- Military—subject to relocation
- Subsidized—Partially to fully subsidized by a governmental agency subsidy. Can extend to middle-income households in high-cost markets.

Market Position	Improvement Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

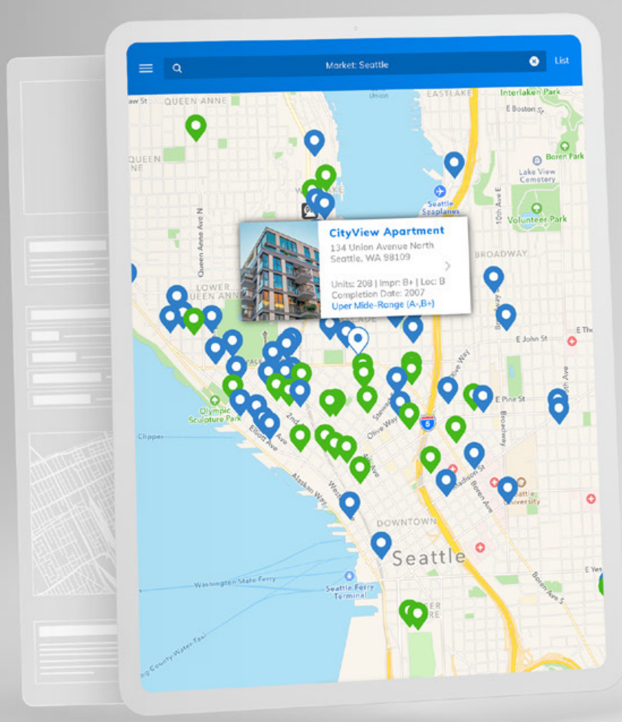
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

Yardi® Matrix

Power your business with the industry's leading source for originating, pre-underwriting and managing assets for profitable loans and investments.



Yardi Matrix Multifamily provides accurate data on **19+ million units**, covering over **90% of the U.S. population**.

Key features

- Pierce the LLC every time with true ownership and contact info
- Leverage patented improvement and location ratings, unit mix, rental, occupancy and current manager information
- Gain complete new supply pipeline information at the asset, competitive set and market level
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Access exclusive aggregated and anonymized residential revenue and expense comps

See how we can help you achieve your investment goals.
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